ISLE OF MAN
FINANCIAL SERVICES AUTHORITY

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Discussion Paper

Basel III

Updating the Liquidity Framework for Banks

Implementation of a Liquidity Coverage Ratio

DP25-01

Issue Date: 28 May 2025

Closing Date: 11 July 2025

Contents

Glossary

Authority	Isle of Man Financial Services Authority
Basel Committee	The Basel Committee on Banking Supervision ("BCBS") being the primary global standard setter for the prudential regulation of banks, which provides a forum for regular cooperation on banking supervisory matters.
Bank / reporting bank	In the context of the LCR Reporting Form and the LCR by Significant Currency, this is the Isle of Man incorporated entity that has been issued with a Class 1(1) or Class 1(2) (Deposit Taking) licence under the Financial Services Act 2008 and includes branches of that entity.
FSA08	Isle of Man Financial Services Act 2008
Liquidity Coverage Ratio ("LCR") Standard / LCR Standard	The Liquidity Coverage Ratio Standard, also referred to as the LCR Standard, means the LCR Standard as it was incorporated into the consolidated Basel Framework and which contains frequently asked questions and responses, effective 15 December 2019. The LCR Standard can be found at: https://www.bis.org/basel_framework/standard/LCR.htm
Multilateral Development Bank ("MDB")	An institution created by a group of countries that provides financing and professional advice for economic and social development projects. MDBs have large sovereign membership and may include both developed and/or developing countries. Each MDB has its own independent legal and operational status, but with a similar mandate and a considerable number of joint owners.
Net Stable Funding Ratio ("NSFR")	A measure developed by the Basel Committee to promote resilience over a longer time horizon of one year.
Significant Currency	A currency is considered to be "significant" if the aggregate liabilities denominated in that currency amount to 5% or more of the bank's total liabilities.

1. Executive Summary

1.1 Overview

This Discussion Paper ("Paper") is issued by the Isle of Man Financial Services Authority, which is the regulatory body for financial services in the Isle of Man.

Basel III is an internationally agreed set of measures and standards developed and issued by the international standard setting body, the Basel Committee on Banking Supervision ("Basel Committee"). It expanded upon and replaced Basel II. The various Basel III reforms were brought together in 2019 into one consolidated set of standards, collectively referred to as the Basel Framework.

Implementation of the components of the Basel Framework, at a consolidated level for internationally active banks, was between December 2019 to January 2023.

In summary, the Basel Framework consists of:

- Prudential standards covering bank capital adequacy, bank liquidity, and large exposures, and elements of interest rate risk;
- Risk management and supervisory review processes;
- Disclosure requirements (market discipline); and
- An approach to identifying and supervising systemically important banks.

Underpinning the above are the 'core principles for effective banking supervision' which provide a comprehensive standard for establishing a sound foundation for the regulation, supervision, governance and risk management of the banking sector.

In the Island, a flexible approach to rolling out the key components of the Basel Framework, most relevant to the banking sector, has been adopted. As part of this approach, in October 2024 the Authority published an implementation plan in respect of introducing updated liquidity requirements for banks.

1.2 Purpose

The purpose of this Paper is to seek views on proposals to implement a Liquidity Coverage Ratio ("**LCR**") requirement (including reporting forms, guidance, and core regulatory requirements) for banks incorporated in the Isle of Man, in line with the Basel III LCR Standard.

The Paper establishes proposals for the implementation of an LCR requirement, together with suggestions for how to incorporate monitoring and reporting of the LCR by significant currency in respect of banks incorporated in the Island. Proposals in respect of other components of the implementation plan published in October 2024 will be subject to separate discussion papers.

Changes to reporting requirements for banks in the Island which are branches of overseas banks will also eventually be introduced as indicated in the published implementation plan.

The proposals for an LCR are set out more fully in section 3 (Proposals) of this Paper.

1.3 Interested persons

The Paper is primarily relevant to banks incorporated in the Island, and to the banking sector more generally, including their auditors and any other advisers.

1.4 How to respond

This Paper has been circulated to the Isle of Man Bankers Association and individual Class 1(1), Class 1(2) (Deposit Takers) and Class 1(3) (Representative Office) licenceholders under the FSA08. As this is a targeted consultation for banks and the banking sector, it has not been published on the Isle of Man Government's Engagement Hub.

Responses can be submitted by email to andrew.kermode@iomfsa.im and, if in an attachment, preferably in an extractible format e.g. Microsoft Word document. Alternatively, you can submit responses by post to:

Mr Andrew Kermode
Head of Division – Prudential Supervision Division
Isle of Man Financial Services Authority
PO Box 58, Finch Hill House, Bucks Road, Douglas, Isle of Man, IM99 1DT

1.5 Next steps

Following closure of the consultation period on **11 July 2025**, the Authority will review the responses received and issue a Feedback Statement to consultees.

1.6 Questions

If you have a query in relation to how this consultation has been carried out, please contact the Authority's Policy & Risk Division by email at Policy@iomfsa.im or by telephone on +44 1624 646000.

2. Consultation Process

2.1 The Authority's regulatory objectives

The Authority's regulatory objectives are set out in section 2(2) of the FSA08 as —

(a) securing an appropriate degree of protection for policyholders, members of retirement benefits schemes and the customers of persons carrying on a regulated activity;
(b) the reduction of financial crime; and
(c) the maintenance of confidence in the Island's financial services, insurance and pensions industries through effective regulation, thereby supporting the Island's economy and its development as an international financial centre.

2.2 Basis for consultation

The Authority has issued the Discussion Paper to the recipients listed in Appendix A.

2.3 Responding to the Discussion Paper

Open dialogue with stakeholders is an essential element for successful development of the Authority's proposals. Constructive feedback will help the Authority reach an informed decision on the content of the proposals and manner of implementation. Respondents should note the following when responding to this Discussion Paper:

- Submissions received by the closing date will be considered but may not necessarily result in a change to the proposals following a review of all responses received.
- Professional bodies, trade associations and other representative groups should provide a summary of the persons they represent and the method used to obtain input.
- Anonymous submissions will not be considered or included in the Feedback Statement.

2.4 Confidentiality and data protection

The information you send may be published in full or in a summary of responses included in the Feedback Statement. All information in responses, including personal data, may be subject to publication or disclosure in accordance with the access to information regimes (these are primarily the Freedom of Information Act 2015 and the Data Protection Act 2018) with which the Authority is obliged to comply.

If you want your response to remain confidential, you should explain why confidentiality is necessary and your request will be agreed to only if it is appropriate in the circumstances. An automatic confidentiality disclaimer generated by your IT system will not, of itself, be regarded as binding.

The Authority is registered with the Information Commissioner as a data controller under Isle of Man data protection legislation. It collects and processes personal data to carry out its functions under relevant legislation and may share personal data with other parties where there is a legal basis for doing so. Further information on how the Authority collects and processes personal data can be found in the Privacy Notice on the Authority's website.[1]

3. Proposals

3.1 Background

The LCR, developed by the Basel Committee, is one of the minimum standards for funding liquidity with the specific purpose of promoting short-term resilience of a bank's liquidity risk profile by ensuring that it has sufficient high-quality liquid assets ("**HQLA**") to survive a significant stress scenario lasting for one month.

[1] https://www.iomfsa.im/terms-conditions/privacy-notice/

The LCR on its own is insufficient to measure all dimensions of a bank's liquidity profile. Consequently, to supplement the LCR, the Basel Committee developed the Net Stable Funding Ratio ("**NSFR**") to promote resilience over a longer time horizon of one year. Proposals in respect of the NSFR are not covered in this Paper.

The Basel Committee also developed a set of monitoring tools supplementary to the LCR which are to be used for the ongoing monitoring of the liquidity risk exposures of banks, and in communicating these exposures among home and host supervisors. One of these supplementary monitoring tools is the **LCR by Significant Currency**, which is also referred to in this Paper.

3.1.1 LCR Stress Scenario

The LCR stress scenario (calculation) entails a combined idiosyncratic and market-wide shock that would result in:

1. The run-off of a proportion of retail deposits;
2. A partial loss of unsecured wholesale funding;
3. A partial loss of secured, short-term financing with certain collateral and counterparties;
4. Additional contractual outflows that would arise from a downgrade in the bank's public credit rating by up to and including three notches, including collateral posting requirements;
5. Increases in market volatilities that impact the quality of collateral or potential future exposure of derivative positions and thus require larger collateral haircuts or additional collateral, or lead to other liquidity needs;
6. Unscheduled draws on committed but unused credit and liquidity facilities that the bank has provided to its clients; and
7. The potential need for the bank to buy back debt or honour non-contractual obligations in the interest of mitigating reputational risk.

This stress test is a ***minimum supervisory requirement for banks***. Banks are expected to conduct their own stress tests to assess the level of liquidity they should hold beyond this minimum and construct their own scenarios that could cause difficulties for their specific business activities. Such internal stress tests should incorporate longer time horizons than the one mandated by the LCR.

3.1.2 LCR Minimum Requirements

The LCR has two components:

1. Value of the stock of HQLA in stressed conditions, and
2. Total net cash outflows[2].

$$\frac{Stock\ of\ HQLA}{Total\ net\ cash\ outflows\ over\ the\ next\ 30\ calendar\ days} \geq 100\%$$

[2] Defined as the total expected cash outflows minus the total expected (capped) cash inflows in the specified stress scenario for the subsequent 30 calendar days.

The total net cash outflows for the scenario are calculated for 30 calendar days into the future. Absent a situation of financial stress, the LCR must be no lower than 100% (i.e. the stock of HQLA should at least equal total net cash outflows) on an ongoing basis because the stock of unencumbered HQLA is intended to serve as a defence against the potential onset of liquidity stress. Proposals in respect of the Authority's core regulatory requirements for the LCR are covered in section 3.2 (Proposed Core Regulatory Requirements for the LCR) below.

The LCR has similarities to the current liquidity mismatch requirements set out in the Financial Services Rule Book[3] in that:

- It requires predicted outflows to be met by a mixture of predicted inflows and HQLA; and
- Predicted flows are based on a mixture of contractual and behaviourally based projections.

The main differences are:

- The definition of HQLA in the LCR is more conservative and detailed than the description of marketable assets currently referenced in guidance;
- the LCR limits the extent to which inflows may offset outflows as it requires that HQLA must equate to at least 25% of adjusted outflows in all cases, whereas the current standard has no limit, permitting inflows to fully offset outflows;
- within the current mismatch approach allowances for depositor behaviour vary across banks, based solely on individual submissions. The LCR generally applies standardised adjustment factors for inflows and outflows which will apply to all banks consistently as a minimum standard; and
- a one-week metric applies under the current mismatch approach, in addition to a one-month metric, whereas the LCR only uses a 30-calendar day timeframe.

3.2 Proposed Core Regulatory Requirements for the LCR

The minimum requirement is that a bank's LCR must be no lower than 100% (i.e. the stock of HQLA should at least equal total net cash outflows) on an ongoing basis. Higher minimum or notification requirements may also be imposed on an individual bank.

The Authority proposes to introduce the following core regulatory requirements specifically relating to the LCR (similar to the existing provisions contained in rule 8.44 (Liquidity management) of the Financial Services Rule Book 2016):

(a) A requirement for a bank incorporated in the Island to maintain liquidity at or above a specified "minimum liquidity requirement"[4], except under certain circumstances (periods of stress, whereby banks may use their stock of HQLA).

[3] See rule 8.44 (liquidity management) of the Financial Services Rule Book 2016 and the associated Guidance Note for Deposit Takers: Liquidity Risk Management.

[4] In this context, the "minimum liquidity requirement" means: (a) such LCR as the Authority may direct in the case of the bank; or (b) where no such direction is given, an LCR of 100%.

(b) A requirement for a bank to measure and monitor liquidity (including daily) by calculating the LCR (noting this may also include calculating the LCR by significant currency) – see section 3.3 (Proposed Reporting Forms and Guidance) for further information on the calculation.
(c) A requirement for a bank to notify the Authority immediately if at any time, including in relation to periods of financial stress, it has reason to believe that its LCR is below the minimum liquidity requirement or is expected to fall below the minimum liquidity requirement.
(d) A requirement for a bank to remedy the breach of the minimum liquidity requirement and take appropriate action.
(e) Reporting requirements in respect of the LCR – see section 3.4 (LCR Proposed Frequency of Reporting) for proposals.

In respect of the implementation of requirements, these are ultimately proposed to be brought in through amendments to the Financial Services Rule Book 2016, as part of the full suite of amended liquidity requirements (for example including the NSFR, other liquidity monitoring metrics, and wider liquidity management requirements). Prior to this, and subject to views, certain LCR requirements would initially be implemented through issuing directions to banks incorporated in the Island – this is explained further in section 3.6 (Transition and Implementation).

Further, in relation to (c) and (d) above, it is proposed that:

- a bank would be expected to present an assessment to the Authority of its liquidity position, including:

  1. The factors that contributed to its LCR expecting to fall below, or falling below, the minimum liquidity requirement;
  2. The measures that have been and will be taken; and
  3. The expectations on the potential length of the situation.

- Enhanced reporting to the Authority, commensurate with the duration of the shortfall will generally be required.

- The Authority may also require a bank to take action to reduce its exposure to liquidity risk, strengthen its overall liquidity risk management, or improve its contingency funding plan.

These regulatory expectations will eventually be incorporated into updated regulatory guidance pertaining to liquidity, and where applicable, recovery planning guidance.

Question 1
Do you agree with the proposed core regulatory requirements in respect of the LCR? If not, please provide additional information.

Question 2
Do you have any other observations to make in relation to these proposals?

3.3 Proposed Reporting Forms and Guidance

The proposed LCR Reporting Form and associated guidance (which can also be used for the calculation of LCR by Significant Currency) will only apply to banks incorporated in the Isle of Man.

Rule 2.20(1) (Deposit taking returns – Isle of Man incorporated) of the Financial Services Rule Book 2016 states that a bank must prepare deposit taking returns and rule 2.20(4) states that the deposit taking returns must be in the format specified by the Authority, containing the information required by, and calculated in accordance with, the specifications. It is proposed that, for the purpose of rule 2.20(4), the LCR Reporting Form will be the form specified by the Authority to be completed as set out in the (draft) guidance (Appendix B).

The proposed LCR Reporting Form is designed to be completed for the aggregate LCR (and can also be used for LCR by Significant Currency) using the following sheets:

- **Sheet 1** – High Quality Liquid Assets (HQLA)
- **Sheet 2** – Outflows
- **Sheet 3** – Inflows
- **Sheet 4** – LCR Calculation

A copy of the proposed LCR Reporting Form, together with the (draft) regulatory guidance, is attached to this Paper (see **Appendix B(1) and Appendix B(2)**). The calculations and guidance are based on the Basel Committee LCR Standard, tailored locally, whilst also considering the frameworks in place in other jurisdictions, including the Channel Islands and United Kingdom ("**UK**").

In relation to the proposed LCR Reporting Form and guidance specifically, please note the following:

- The LCR Reporting Form, once finalised, will be structured to include certain "validation" checks for submission into the Authority's data warehouse.
- HQLA should be reported at "current market value" (as defined in the draft guidance).
- The draft guidance includes / references the terms "Liquidity Management Policy" ("**LMP**") and "Internal Liquidity Assessment Process" ("**ILAAP**"). These terms are placeholders only. As set out in the implementation plan published in October 2024, the Authority will separately discuss / consult on proposals for updated liquidity management guidance and supervisory review processes (Pillar 2 and ICAAP / ILAAP).
- In the calculation of outflows (Sheet 2) and inflows (Sheet 3), the forms are designed so that banks incorporated in the Island which operate overseas branches should report categories of outflows and inflows by the relevant jurisdiction. For example, deposits taken in a UK branch should be shown under "UK", whereas deposits taken in the Isle of Man office should be shown as "IOM". Banks which do not operate overseas branches will report figures only in "IOM".
- The list of MDBs contained in Annex C of the draft guidance for the LCR Reporting Form is an updated list that differs from the existing list contained in current guidance

in respect of Form SR-1B (Quarterly Prudential Returns). The draft guidance includes 4 additional MDBs. The current list for Form SR-1B will be updated in due course.

The draft LCR Reporting Form is provided in electronic format and is available to be tested by banks.

Question 3
Do you have any comments / observations in relation to the proposed LCR Reporting Form and guidance? If so, please provide further information, including identification of any errors.

3.4 LCR Proposed Frequency of Reporting

The suggested frequency of reporting proposed by the Basel Committee in connection with the LCR Standard is monthly, with reports being submitted within 2 weeks of the month end.

However, the Authority does not propose to implement monthly reporting as standard for the Island's banking sector. Rather, it is proposed that the LCR Reporting Form (which would include a consolidated LCR if applicable to a bank) must be reported to the Authority on a quarterly basis as part of the set of deposit taking returns. It should be prepared based on the information as at either the last working day, or the last calendar day, of March, June, September and December, and be submitted to the Authority within one month of each reporting date.

However, banks must have the operational capacity to increase the frequency of reporting, for example to monthly, weekly or even daily in stressed situations at the discretion of the Authority (with daily monitoring).

Question 4
Do you agree with the proposal to implement quarterly reporting as standard (with submissions due within one month), rather than monthly reporting (with submissions due within 2 weeks)?

Question 5
Would you be able to increase the frequency of reporting, for example to monthly, weekly or even daily, if required to do so by the Authority (on an exceptional basis)?

3.5 LCR by Significant Currency (Foreign Currency LCR)

While the LCR must be met on an aggregate basis (i.e. all currencies combined) and reported in sterling, banks should also be aware of the liquidity needs in **each significant currency**. Therefore, to better capture potential currency mismatches banks should also **monitor their LCR in significant currencies**. This allows the bank and the Authority to track potential currency mismatch issues that could arise. This metric is defined as follows[5]:

[5] Amount of total net foreign exchange cash outflows should be net of foreign exchange hedges.

$$Foreign\ currency\ LCR = \frac{Stock\ of\ HQLA\ in\ each\ significant\ currency}{\begin{array}{c}Total\ net\ cash\ outflows\\ over\ a\ 30\ day\ time\ period\ in\ each\ significant\ currency\end{array}}$$

A currency is considered “significant” if the aggregate liabilities denominated in that currency amount to **5% or more of the bank's total liabilities**.

3.5.1 Reporting and monitoring

For standard reporting purposes, as part of “liquidity monitoring metrics”, the Authority proposes that it will agree with each bank whether it is required to calculate a foreign currency LCR for each significant currency (or a selection of currencies only). The calculation of each relevant foreign currency LCR can be done using the template Sheets 1 to 4 referenced in section 3.3 (Proposed Reporting Forms and Guidance) of this Paper.

The reporting of any foreign currency LCR information to the Authority will be set out separately and does not form part of this Paper. However, for the purpose of any reporting, the Authority proposes that banks would not be required to submit the detailed calculations (Sheets 1 to 4) for each significant currency, but rather submit a summary report (an example of which is shown in **Appendix B (3)**)

Question 6
Despite the specific definition of significant currency, are you supportive of the Authority’s proposal to agree with each bank whether it is required to calculate (and thus potentially report) foreign currency LCR (rather than the requirement being a “must” for any bank that has a significant foreign currency)?

Question 7
For banks that will be required to calculate foreign currency LCRs, do you agree with the proposal that reporting to the Authority should be in a summary report (rather than providing the detailed calculations for each foreign currency LCR)?

Question 8
In terms of the proposed summary report, would you prefer to report each foreign currency LCR: (a) in its foreign currency only? (b) in sterling equivalent only? Or, (c) in the foreign currency together with a sterling equivalent using the exchange rate at the reporting date? (as per the draft template in **Appendix B (3)**).

3.5.2 Minimum regulatory requirements

The foreign currency LCR is not a minimum requirement but a monitoring tool; it does not have an internationally defined minimum required threshold. Nonetheless, the Authority proposes that it expects banks, which have significant foreign currency exposure, to operate to applicable foreign currency LCRs of 100% or higher wherever possible.

The Authority also proposes that it may put in place notification requirements on banks in relation to foreign currency LCRs (especially if there are material mismatches / exposures) and may consider banks' ability to raise funds in foreign currency markets and the ability to transfer a liquidity surplus from one currency to another and across jurisdictions and legal entities. Therefore, any ratio the Authority may set will be higher for currencies in which the Authority or the bank evaluates the bank's ability to raise funds in foreign currency markets or the ability to transfer a liquidity surplus from one currency to another and across jurisdictions and legal entities to be limited.

Question 9
Do you agree with the proposal that the Authority may put in place notification requirements on banks in respect of foreign currency LCRs under certain circumstances (including with reference to a 100% requirement)?

3.6 Transition and Implementation

3.6.1 General approach

The LCR (and NSFR) are additional measures introduced in the Basel Framework, and liquidity reporting and monitoring is more extensive under Basel III. The introduction of the proposed LCR Reporting Form is the first part of the implementation plan and applies to banks incorporated in the Island.

It is proposed that the LCR Reporting Form will initially be introduced as an additional reporting form and thus sit alongside existing reporting requirements currently set out in reporting form SR-3A (maturity mismatch[6] and large depositors). As part of the wider implementation plan, form SR-3A will ultimately be replaced by a full suite of amended liquidity reporting requirements (including updated contractual mismatch and concentration of funding returns).

3.6.2 Specific transitional arrangements

Subject to responses to this Paper, it is proposed that —

1. Banks should start reporting aggregate LCR information to the Authority (using the LCR Reporting Form) for the 30 September 2025 reporting date (for reporting by 31 October 2025) onwards.

2. The formal regulatory requirements set out in section 3.2 (Proposed Core Regulatory Requirements for the LCR) would be put in place (most likely through directions / modifications to rules) with effect from 1 January 2026. Any existing directions that refer to liquidity behavioural adjustments will also be amended to remove such adjustments.

3. At the same time (1 January 2026), the current mismatch rules would be disapplied. However, **the maturity mismatch report and large depositor return (the current form SR-3A) would still be required to be submitted**, but banks would not need to include behavioural adjustment information (the mismatch report would therefore be on a

[6] The current maturity mismatch return can include behavioural adjustments to both assets and liabilities, specific to each bank.

contractual basis). This mismatch report will be replaced by new contractual mismatch reporting in relatively short order.

Requirements pertaining to reporting foreign currency LCR information will be subject to discussion with each bank, with implementation plans agreed on an individual bank basis.

Question 10
Do you agree with the proposal to start reporting LCR information to the Authority for submissions due by 31 October 2025? If this proposed date would cause you difficulties, please provide an alternative date for commencing reporting and summarise the reasons why.

Question 11
Do you agree with the proposal to introduce the proposed regulatory requirements for LCR from 1 January 2026? If this proposed date would cause you difficulties, please provide an alternative date and summarise the reasons why.

4. Impact Assessment

The Authority recognises that introducing new regulatory requirements can carry a cost for industry, both initially (to implement the changes) and on an ongoing compliance basis.

Most banks incorporated in the Island are already calculating and reporting liquidity metrics for other regulators on a Basel III basis, including for the LCR. This is because they are either reporting upwards for group consolidated purposes or reporting directly to host supervisors where they operate overseas branches. Moving towards a Basel III liquidity framework in the Island will help to bring more consistency in reporting requirements for most banks, will make sure applicable international standards are applied, and help the Authority to better monitor liquidity risks in the sector, as part of the framework for providing adequate protection for consumers. In this respect, the Authority does not consider it viable to continue with the existing liquidity framework for the regulation and supervision of the banking sector in the Island.

Under Schedule 1, paragraph 2(1) of the FSA08, the functions of the Authority include "the regulation and supervision of persons undertaking regulated activity" and "the maintenance and development of the regulatory regime for regulated activities". The proposed introduction of the LCR, and other changes to liquidity requirements (that will be subject to further discussion), is directly compatible with these functions.

In discharging its functions, the Authority must have regard to the factors set out in Schedule 1, paragraph 3 of the FSA08. The most relevant factors pertaining to the proposals in the Paper are set out below, together with a brief assessment:

Factor	Assessment
The need to balance the regulatory objectives	**Neutral impact**
The need for the regulatory, supervisory and registration regimes to be effective, responsive to commercial developments and proportionate to the benefits which are expected to result from the imposition of any regulatory burden	**Neutral impact** – an updated framework should be more effective, balanced against any increased cost burden. The Authority has suggested a proportionate approach to the frequency of reporting.
The desirability of implementing and applying recognised international standards	**Positive impact** – Basel III and LCR is the recognised international standard
The desirability of cooperating with governments, regulators and others outside the island	**Positive impact** – other overseas regulators most relevant to the Island's banking sector have implemented Basel III LCR
The need to safeguard the reputation of the island	**Positive impact** – Basel III and LCR is a recognised international standard
The international character of the financial services, insurance and pensions industries and their markets and the desirability of maintaining the competitive position of the Island	**Neutral impact** – there may be some costs of implementation and compliance, balanced by having a better recognised liquidity regime
The desirability of facilitating the development of the financial services, insurance and pensions industries	**Neutral impact** – will bring the framework up to date
The impact of its decision on the stability of the financial system of the Island	**Positive impact** – Basel III and LCR is a recognised international standard

5. Questions

Question 1
Do you agree with the proposed core regulatory requirements (set out in section 3.2) in respect of the LCR? If not, please provide additional information. (Optional)

Question 2
Do you have any other observations to make in relation to the proposals set out in section 3.2? (Optional)

Question 3
Do you have any comments / observations in relation to the proposed LCR Reporting Form and guidance as set out in section 3.3 and Appendix B(1) and Appendix B(2)? If so, please provide further information, including identification of any errors.

Question 4
Do you agree with the proposal to implement quarterly reporting as standard (with submissions due within one month), rather than monthly reporting (with submissions due within 2 weeks)?

Question 5
Would you be able to increase the frequency of reporting, for example to monthly or even weekly, if required to do so by the Authority (on an exceptional basis)?

Question 6
Despite the specific definition of significant currency, are you supportive of the Authority's proposal to agree with each bank whether it is required to calculate (and thus potentially report) foreign currency LCR (rather than the requirement being a "must" for any bank that has a significant foreign currency)?

Question 7
For banks that will be required to calculate foreign currency LCRs, do you agree with the proposal that reporting to the Authority should be in a summary report (refer section 3.5 and Appendix B(3)) (rather than providing the detailed calculations for each foreign currency LCR)?

Question 8
In terms of the proposed summary report (refer section 3.5), would you prefer to report each foreign currency LCR: (a) in its foreign currency only? (b) in sterling equivalent only? Or, (c) in the foreign currency together with a sterling equivalent using the exchange rate at the reporting date? (as per the draft template in **Appendix B(3)**).

Question 9
Do you agree with the proposal that the Authority may put in place notification requirements on banks in respect of foreign currency LCRs under certain circumstances (including with reference to a 100% requirement)?

Question 10
Do you agree with the proposal to start reporting LCR information to the Authority for submissions due by 31 October 2025? If this proposed date would cause you difficulties, please provide an alternative date for commencing reporting and summarise the reasons why.

Question 11
Do you agree with the proposal to introduce the proposed regulatory requirements for LCR from 1 January 2026? If this proposed date would cause you difficulties, please provide an alternative date and summarise the reasons why.

Appendix A – List of Specific Recipients

- Isle of Man Bankers' Association
- Individual Class 1(1) and Class 1(2) Deposit Takers (Banks), and Class 1(3) representative offices

Appendix B – Draft Reporting Forms and Guidance

1. Draft LCR Reporting Form Template

LCR-FORM-DRAFT-I
NDUSTRY-DP-LOCKE

2. Draft Guidance

LCR DRAFT RETURN
GUIDANCE NOTES.d

3. Example – LCR by Significant Currency (Summary)

LCR-BY-CURRENCY-
EXAMPLE-SUMMARY